

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7406

BILL NUMBER: SB 523

NOTE PREPARED: Jan 13, 2009

BILL AMENDED:

SUBJECT: High Speed Internet Service Initiative.

FIRST AUTHOR: Sen. Hershman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Economic Development Corporation to develop a High Speed Internet Service Deployment and Adoption Initiative, including the creation of a statewide Geographic Information System of telecommunications and information technology services. It exempts from the state Gross Retail Tax certain tangible personal property related to the provision of broadband services. It includes residential property in the definition of "multitenant real estate" for purposes of providing access to real property by communications service providers.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise sales tax forms as well as update computer software to incorporate the exemption. It is estimated that the DOR will be able implement this provision with its existing level of resources.

Indiana Economic Development Corporation (IEDC): This bill requires the IEDC to develop a High Speed Internet Service Deployment and Adoption Initiative that includes the creation of a statewide geographic information system (GIS) of available telecommunications and information technology services, including high speed Internet service. The IEDC could download the GIS software for free from the Indiana Office of Technology. Then, at least one staff person at IEDC could register for a GIS class that is offered almost every month to state employees for a one-time cost of \$100. Other costs related to implementing the High-Speed Internet Service Deployment and Adoption Initiative are unknown.

The IEDC is required to utilize the GIS to map the availability of high speed Internet service, including the

percentage of households that have access to high speed Internet service by census blocks, and to identify areas where high speed Internet service is inadequate or unavailable. The IEDC is required to update the GIS at least every six months.

The IEDC may contract with a nonprofit organization to fulfill the provisions of this bill. Also, the bill specifies that the IEDC should consult with the Indiana Finance Authority to avoid unnecessary duplication of efforts. IC 8-1-33 established the Indiana Broadband Development Program to be administered by the Indiana Finance Authority in 2005. Due to administrative constraints, this program has not been active.

High-Speed Internet Service Deployment and Adoption Initiative: The initiative provided in this bill includes the following provisions for the IEDC to fulfill in a public-private partnership:

- (1) Ensure that all Indiana residents and businesses have access to affordable and reliable high speed Internet service.
- (2) Improve technology literacy.
- (3) Increase computer ownership and home use of high speed Internet service.
- (4) Establish a local technology team in each county to improve technology use across multiple community sectors.
- (5) Promote and sustain an environment conducive to statewide investment in high speed Internet service and technology.

Explanation of State Revenues: *Impact on Sales Tax Revenue:* This bill could decrease Sales Tax revenue by an indeterminable amount. The bill provides that mobile telecommunication customer equipment provided at no additional charge to a customer is exempt from Sales Tax. Prices of such equipment could range between \$50 to \$100. The bill also provides an exemption for certain tangible personal property related to the provision of broadband services. It is estimated that the fiscal impact of these exemptions could be significant.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: DOR: IEDC.

Local Agencies Affected:

Information Sources: Jim Sparks, Indiana Office of Technology, 317-234-5889, Jennifer Alvey, Indiana Finance Authority, 317-233-4338; Tom Conley, DOR, 317-232-2107.

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